



Annual Financial Statements

for

Ikwezi Municipality

for the year ended 30 June: **2013**

Province: **Eastern Cape**

AFS rounding: **R (i.e. only cents)**

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Ikwezi Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

General information

Members of the Council

Mngwevu S A	Mayor
Mngwevu S A	Speaker
Hendricks K	Member
Bonaparte M	Member
Ntame L	Member
Mboneni A	Member
Lewis J	Member
Seekoei B W	Member
Kekana U	Member

Municipal Manager

Mr. Gutas T

Chief Financial Officer

Ms. D Sauls

Grading of Local Authority

GRD 2

Auditors

Auditor-General

Bankers

ABSA Bank - Jansenville

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General Information (continued)

Registered Office:

Ikwezi Local Municipality

Physical address:

34 Main Street
Jansenville
6265

Postal address:

P O Box 12
Jansenville
6265

Telephone number:

498 360 021

Fax number:

498 360 105

E-mail address:

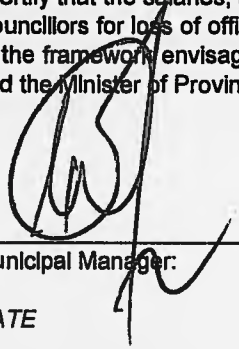
registry@ikwezimunicipality.co.za

Ikwezi Municipality
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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages x to x, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager:

DATE

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Ikwezi Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

	Note	2013 R	2012 R
ASSETS			
Current assets			
Cash and cash equivalents	1	41 088	311 456
Trade and other receivables from exchange transactions	2	3 937 648	1 315 441
Other receivables from non-exchange transactions	3	2 337 563	1 811 908
Inventories	4	2 349	-
VAT receivable	15	874 546	336 273
Non-current assets			
Property, plant and equipment	9	74 271 187	66 726 221
Intangible assets	10	232 719	378 602
Investment property carried at cost	11	35 155 800	35 155 800
Defined benefit plan asset	52		
Total assets		116 852 898	106 035 701
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	14	11 456 304	7 998 464
Current provisions	16	2 003 733	957 578
Bank overdraft	1	1 053 192	1 251 027
Current portion of unspent conditional grants and receipts	17	8 757 717	3 611 240
Current portion of finance lease liability	18	222 176	200 589
Non-current liabilities			
Non-current finance lease liability	18	364 386	385 970
Non-current provisions	19	1 022 400	1 022 400
Total liabilities		24 879 907	15 427 267
Net assets		91 972 992	90 608 433
NET ASSETS			
Reserves			
Accumulated surplus / (deficit)		91 972 992	90 608 433
Total net assets		91 972 992	90 608 433

Ikwezi Municipality
STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2013

	Note	2013 R	2012 R
Revenue			
Property rates	20	1 392 245	1 042 936
Property rates - penalties imposed and collection charges	20	189 438	247 507
Service charges	21	11 063 222	6 071 769
Rental of facilities and equipment	22	10 511	231 518
Interest earned - external investments	23	116 524	139 939
Interest earned - outstanding receivables	24	608 880	503 582
Government grants and subsidies	25	28 377 084	25 968 417
Public contributions and donations	32	10 000	-
Other income	26	1 015 769	2 742 369
Total revenue		42 783 672	36 948 037
Expenses			
Employee related costs	27	17 490 346	12 967 519
Remuneration of councillors	28	1 517 080	1 399 945
Bad debts		2 973 593	2 719 210
Depreciation and amortisation expense	29	2 526 105	870 991
Repairs and maintenance		1 181 002	1 037 473
Finance costs	30	77 696	98 120
Bulk purchases	31	5 120 497	4 962 174
Contracted services	32		
Grants and subsidies paid	33	-	-
General expenses	32	10 388 875	9 513 988
Total expenses		41 275 196	33 569 420
Gain / (loss) on sale of assets	33	-	
(Impairment loss) / Reversal of impairment loss	34	-	
Profit / (loss) on fair value adjustment	35	-	-
Inventories: (Write-down) / reversal of write-down to net realisable value	4		
Surplus / (deficit) for the period		1 508 477	3 378 617

Ikwezi Municipality
STATEMENT OF BUDGET VERSUS ACTUAL
as at 30 June 2013

	Note	2013	2013	Difference between Final Budget and Actuals	Reasons
		Actuals R	Final Budget R	R	
Revenue					
Property rates		1 392 245	1 954 290	562 046	
Property rates - penalties imposed and collection charges		189 438	315 339	125 901	
Service charges		11 083 222	17 043 305	5 960 082	
Rental of facilities and equipment		10 511	215 060	204 550	
Interest earned - external investments		116 524	234 341	117 817	
Interest earned - outstanding receivables		608 880	898 759	287 879	
Government grants and subsidies		28 377 084	29 744 215	1 367 131	
Public contributions and donations		10 000			
Other income		1 015 769	10 742 429	9 726 660	
Total revenue		42 783 672	61 145 739	18 372 066	
Expenses					
Employee related costs		17 490 346	18 908 361	1 418 015	
Remuneration of councillors		1 517 080	1 468 977	(48 103)	
Bad debts		2 973 593	845 217	(2 328 377)	Credible Bad Debt provision calculation Implementation of GRAP 17
Depreciation and amortisation expense		2 528 105	1 153 651	(1 372 454)	
Repairs and maintenance		1 181 002	2 810 403	1 629 401	
Finance costs		77 696	325 172	247 476	
Bulk purchases		5 120 497	5 898 763	778 266	
Contracted services		-		-	
Grants and subsidies paid		-		-	
General expenses		10 388 875	13 511 316	3 122 441	
Total expenses		41 275 196	44 721 860	3 446 665	
Surplus / (deficit) for the period		1 508 477	16 423 878	14 925 401	

Ikwezi Municipality						
STATEMENT OF CHANGES IN NET ASSETS						
as at 30 June 2013						
Note	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets	
	R	R	R	R	R	
Balance at 30 June 2012				69 355 997		69 355 997
Changes in net assets			-	21 252 436		21 252 436
Transfers to / from accumulated surplus/(deficit)				-		-
Surplus / (deficit) for the period				-		-
Restated balance as at 30 June 2012	-	-	-	90 608 433		90 608 433
Net gains and losses not recognised in the statement of financial performance				-		-
Transfers to / from accumulated surplus/(deficit)		-	-	1 508 477		1 508 477
Surplus / (deficit) for the period	-	-	-	92 116 910		92 116 910
Balance at 30 June 2013						

Ikwezi Municipality
CASH FLOW STATEMENT
as at 30 June 2013

	Note	2013 R	2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		42 004 741	36 890 827
Taxation			
Sales of goods and services		42 004 741	36 890 827
Grants			
Interest received			
Other receipts			
Payments		36 431 288	31 044 223
Employee costs		17 490 346	12 967 519
Suppliers		13 310 230	10 362 326
Interest paid			94 941
Other payments		5 630 711	7 619 437
Net cash flows from operating activities	33	5 573 453	5 846 604
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(5 660 712)	(4 261 083)
Proceeds from sale of fixed assets			
Proceeds from sale of investments			
Purchase of Intangibles			
Decrease/(Increase) in Loans and receivables			
Net cash flows from investing activities		(5 660 712)	(4 261 083)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			
Repayment of borrowings			
Proceeds from finance lease liability			
Repayment of finance lease liability		(110 576)	(393 569)
Net cash flows from financing activities		(110 576)	(393 569)
Net increase / (decrease) in net cash and cash equivalents		(197 835)	1 191 952
Net cash and cash equivalents at beginning of period		1 251 027	59 075
Net cash and cash equivalents at end of period	34	1 053 192	1 251 027

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Basis of preparation of the Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statement

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors

GRAP 4 The Effects of Changes in Foreign Exchange Rates

GRAP 5 Borrowing Costs

GRAP 6 Consolidated and Separate Financial Statements

GRAP 7 Investments in Associates

GRAP 8 Investments in Joint Ventures

GRAP 9 Revenue from Exchange Transactions

GRAP 10 Financial Reporting in Hyperinflationary Economies

GRAP 11 Construction Contracts

GRAP 12 Inventories

GRAP 13 Leases

GRAP 14 Events After the Reporting Date

GRAP 16 Investment Properties

GRAP 17 Property, Plant and Equipment

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP 100 Non-current Assets Held for Sale and Discontinued Operations

GRAP 101 Agriculture

GRAP 102 Intangible Assets

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the Generally Recognised Accounting Practices (GRAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions have been granted are disclosed below.

These accounting policies are consistent with the previous period.

IKWEZI LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2013
Accounting Policies

1.1 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the Municipality's functional currency.

1.2 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard Title & Brief Description Issued Effective

GRAP 18 Segment Reporting Issued March 2006 -
GRAP 21 Impairment of Non - Cash - generating - assets Issued March 2009 -
GRAP 23 Revenue from Non - Exchange Transactions Issued February 2008 -
GRAP 24 Presentation of Budget Information Issued November 2007 -
GRAP 26 Impairment of Cash - generating - assets Issued March 2009 -
GRAP 103 Heritage Assets Issued July 2008 -
GRAP 25 Employee Benefits Issued 11 January 2009 -
IFRIC 17 Distribution of Non - cash Assets to Owners - effective 1 July 2009

1.4 Change in accounting policies and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

The details of any resulting changes in accounting policy and comparative restatements are given in note 27 to the Annual Financial Statements.

The municipality changes an accounting policy only if the following instances:

- (a) Is required by a Standard of GRAP; or
 - (b) Results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.
- The details of any changes in accounting policies and comparative restatements are explained in the relevant policy.

1.5 Property, plant and equipment

1.5.1 Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

IKWEZI LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2013
Accounting Policies (continued)

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non - exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.
Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.5.2 Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.5.3 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight - line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure Assets:

Roads and Paving 30 years

Storm Water Drainage 20 years

Community Assets:

Buildings 30 years

Recreational Facility 20-30 years

Security 5 years

Community Halls 30 years

Libraries 30 years

Parks and gardens 10 years

Finance Lease Assets:

Office equipment 4 years

IKWEZI LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2013
Accounting Policies (continued)

Other Assets:

Buildings 30 years

Specialist vehicles 10 years

Other vehicles 5 years

Office equipment 3-7 years

Furniture and fittings 7-10 years

Bins and containers 5 years

Specialised plant and equipment 10-15 years

Landfill sites 15 years

Computer equipment 3 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The municipality changed its accounting policy for property, plant & equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies (continued)

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A

GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38

GRAP 13 Leases - paragraphs 55-60

GRAP 17 Property, Plant and Equipment - paragraphs 73-83

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E

GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant & equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant & equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

The municipality acquired a transfer(s) of function in 2010 and property, plant & equipment has accordingly been recognised at provisional amounts, as disclosed in 6. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

1.6 Investment property

1.6.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or, both, land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

1.6.2 Subsequent measurement - cost model

Investment property is measured using the cost model and a revaluation will be performed once every five years. Under the cost model, investment property is carried at its depreciated re-valued amount less impairments at the reporting date. Any gain or loss arising from the revaluation is included in revaluation reserve.

The municipality changed its accounting policy for investment property in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A

GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38

GRAP 13 Leases - paragraphs 55-60

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies (continued)

GRAP 16 Investment property - paragraphs 63-70

GRAP 17 Property, Plant and Equipment - paragraphs 73-83

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E

GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

1.7 Intangible assets

1.7.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- The municipality intends to complete the intangible asset for use or sale;
- It is technically feasible to complete the intangible asset;
- The municipality has the resources to complete the project; and
- It is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

1.7.2 Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.7.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The annual amortisation rates are based on the following estimated average asset lives:

Computer software 5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies (continued)

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The municipality changed its accounting policy for intangible assets in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A

GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38

GRAP 13 Leases - paragraphs 55-60

GRAP 17 Property, Plant and Equipment - paragraphs 73-83

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E

GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where intangible assets were acquired through a transfer of functions, the municipality is not required to measure that intangible asset for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and amortisation assessments will not be considered.

1.8 Non-current assets held for sale

1.8.1 Initial recognition

IKWEZI LOCAL MUNICIPALITY**Annual Financial Statements for the year ended 30 June 2013****Accounting Policies (continued)**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.8.2 Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 Value added tax

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as Input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services.

The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies (continued)

1.10 Leases

1.10.1 Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

The municipality changed its accounting policy for leases in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A

GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38

GRAP 13 Leases - paragraphs 55-60

GRAP 16 Investment property - paragraphs 63-70

GRAP 17 Property, Plant and Equipment - paragraphs 73-83

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E

GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where leasehold asset was acquired through a transfer of functions, the municipality is not required to measure that leasehold asset for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies (continued)

The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

1.10.2 Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease.

The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis.

The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.11 Revenue recognition

1.11.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Interest revenue is recognised on a time proportion basis.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies (continued)

Revenue from the rental of facilities and equipment is recognised on a straight - line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the Issuing of licenses and permits.

1.11.2 Revenue from non - exchange transactions

Revenue from non - exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non - exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

1.11.3 Grants, transfer and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional.

IKWEZI LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2013
Accounting Policies (continued)

The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.12 Financial Instruments

Initial recognition and measurement

1.12.1 Initial recognition

Financial instruments are initially recognised at fair value.

1.12.2 Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held to maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.12.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.12.2.2 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies (continued)

Amounts that are receivable within 12 months from the reporting date are classified as current. An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.12.2.3 Financial liabilities: trade and other payables from non exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities and are held at cost, as their cost approximates their fair value.

1.12.2.4 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short - term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.13 Conditional grants and receipts

Unutilised conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

1.14 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

Where the effect is material, non-current provisions are discounted to their present value using a pre - tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability. The municipality does not recognise a contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- The business or part of a business concerned;
- The principal locations affected;

The location, function, and approximate number of employees who will be compensated for terminating their services;

- The expenditures that will be undertaken; and
- When the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it..

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies (continued)

1.16 Retirement benefits

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the South African Municipal Workers Union (SAMWU) and to the Cape Joint Provident Fund (CJPF) to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined contribution funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

1.17 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account.

The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/ (deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

1.21 Impairment of assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- Test's intangible assets with an indefinite useful life, or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash - generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash - generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount.

That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a re-valued asset is treated as a re-valuation decrease.

IKWEZI LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2013
Accounting Policies (continued)

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

– to The assets of The unit, pro rata on The basis of The carrying amount of each asset in The unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a re-valued asset is treated as a revaluation increase.

The municipality changed its accounting policy for property, plant & equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A

GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38

GRAP 13 Leases - paragraphs 55-60

GRAP 17 Property, Plant and Equipment - paragraphs 73-83

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E

GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant & equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant & equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and property, plant & equipment has accordingly been recognised at provisional amounts, as disclosed in 6. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

1.22 Transitional Provisions

Ikwezi Local Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A

GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38

GRAP 12 Inventories - paragraphs 45-52

GRAP 13 Leases - paragraphs 55-60

GRAP 16 Investment property - paragraphs 63-70

GRAP 17 Property, Plant and Equipment - paragraphs 73-83

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E

GRAP 102 Intangible Assets - paragraph 110-118

IKWEZI LOCAL MUNICIPALITY

Interim Annual Financial Statements as at 30 June 2013

Accounting Policies (continued)

1.23 Retirement benefits

Short - term employee benefits

The cost of short - term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non - accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry - managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

Multi employers defined benefit pension plan are treated as defined contribution plan. For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees.

Actuarial gains or losses within the corridor are not recognised.

Gains or losses, on the curtailment, or settlement, of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit

obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

	Note	2013 R	2012 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		-	-
Cash at bank		41 088	311 456
Call deposits		41 088	311 456
		<u>41 088</u>	<u>311 456</u>
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
Absa Bank Jansenville - Cheque account no - 4053099797		(281 459)	(75 025)
Absa Bank Jansenville - Salary Cheque account no - 2520141122		89	8 398
Cash book balance at beginning of year		(1 251 027)	(153 630)
Cash book balance at end of year		(1 053 192)	(1 251 027)
Bank statement balance at beginning of year		(86 627)	(66 627)
Bank statement balance at end of year		(281 370)	(66 627)
<u>Current Account (Other Account)</u>			
Absa Bank Jansenville - Money Market account no - 9137635959		25 199	224 127
Absa Bank Jansenville - Call Deposit account no - 9118667183		3 045	73 017
Absa Bank Jansenville - Call Deposit account no - 9101589574		3 841	5 310
Standard Bank Jansenville - Trust Fund account no - 3/288865537/001		9 002	9 002
Cash book balance at beginning of year		311 456	336 507
Cash book balance at end of year		41 088	311 456
Bank statement balance at beginning of year		311 456	212 704
Bank statement balance at end of year		41 087	311 456
<u>Cash on hand</u>			
Total cash and cash equivalents		(1 012 104)	(939 571)
Total bank overdraft		1 053 192	1 251 027

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

	Note	2013 R	2012 R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
<u>Trade receivables</u>			
as at 30 April 2013			
Service debtors			
	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Electricity	3 013 102	(2 515 940)	497 162
Water	3 797 358	(3 170 794)	626 564
Sewerage	3 998 585	(3 338 819)	659 767
Refuse	4 153 733	(3 488 367)	665 366
Other - Sundry debtors	1 488 790		1 488 790
Total	16 431 568	(12 493 920)	3 937 648

Total Trade and other receivables

16 431 568	(12 493 920)	3 937 648
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as at 30 June 2012

Service debtors

Electricity	898 729	(898 145)	584
Water	2 735 925	(2 735 849)	76
Sewerage	2 687 500	(2 688 874)	626
Refuse	3 128 891	(3 248 354)	(121 463)
Other - Sundry debtors	1 435 619		1 435 619
Total	10 884 663	(9 569 222)	1 315 441

Total Trade and other receivables

10 884 663	(9 569 222)	1 315 441
-------------------	--------------------	------------------

Rates: Ageing

Current (0 - 30 days)

31 - 60 Days	64 140	23 573
61 - 90 Days	27 471	18 311
91 - 120 Days	24 751	16 220
121 - 365 Days	24 232	16 031
+ 365 Days	2 164 329	2 178 004
Total	2 304 923	2 252 139

Electricity, Water and Sewerage: Ageing

Current (0 - 30 days)

31 - 60 Days	1 048 001	317 141
61 - 90 Days	536 240	274 293
91 - 120 Days	519 507	228 174
121 - 365 Days	501 685	212 892
+ 365 Days	14 918 626	9 852 164
Total	17 522 039	10 884 664

Summary of Debtors by Customer Classification

as at 30 June 2013

Current (0 - 30 days)

	Consumers R	Industrial / Commercial R	National and Provincial Government R
31 - 60 Days	1 020 135	21 020	68 986
61 - 90 Days	529 006	11 440	23 265
91 - 120 Days	527 889	10 188	6 181
121 - 365 Days	514 943	8 804	2 150
+ 365 Days	16 785 711	294 003	3 241
Sub-total	19 377 684	345 455	103 823
Less: Provision for doubtful debts	(12 493 920)		
Total debtors by customer classification	6 883 764	345 455	103 823

as at 30 June 2012

Current (0 - 30 days)

31 - 60 Days	373 106	(7 042)	77 827
61 - 90 Days	223 875	8 494	12 025
91 - 120 Days	218 558	7 373	2 992
121 - 365 Days	218 452	6 260	1 909
+ 365 Days	11 515 614	260 945	10 038
Sub-total	12 547 605	276 030	104 791
Less: Provision for doubtful debts			
Total debtors by customer classification	12 547 605	276 030	104 791

ikwazi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

Note	2013 R	2012 R
2 Reconciliation of the doubtful debt provision		
Balance at beginning of the year	11 820 411	11 820 411
Contributions to provision	2 973 593	-
Doubtful debts written off against provision	-	-
Reversal of provision	-	-
Balance at end of year	<u>14 794 004</u>	<u>11 820 411</u>

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

DIRECT BILLING RECEI	(72)	(72)
BILLING SUSPENSE CON	(376)	-
DEBTORS CONTROL: RATES	2 754 593	2 252 139
PROV FOR BAD DEBTS RATES	(2 300 085)	(2 251 189)
SUNDRY DEBTORS	1 682 588	1 679 105
MIG/PROV GRANTS IN A	66 416	66 416
MOTOR VEHICLES	355	-
FUEL ADVANCE: NOORSV	20 000	20 000
KNOETZE - MEDICAL FU	6 417	3 823
MEDICAL AID: M.NEL	(1 482)	374
ARREARS- MED AID: VA	14 358	9 855
DUPI SANIE: MEDICAL A	47 696	31 357
PROV GOV: MOTOR REGI	47 134	-
Total Other Debtors	<u>2 337 563</u>	<u>1 811 908</u>

4 INVENTORIES

Opening balance of inventories:

Water

Additions:

Water

Closing balance of inventories:

Water

-	-
-	-
-	-
-	-
2 349	-
2 349	-

This is the first year that Council has measured the Water inventory.
The measurement was limited to the resevoirs only as there are no water meters
Installed at the individual households.

5 INVESTMENTS

Deposits

Call investments

41 088	311 456
<u>41 088</u>	<u>311 456</u>

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

9 PROPERTY, PLANT AND EQUIPMENT

11.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2012	2 559 245	-	61 408 167	-	-	1 604 395	1 154 414	66 726 221
Cost/Revaluation	3 342 200	-	98 212 474	-	-	2 684 688	1 308 371	106 548 732
Accumulated depreciation and impairment losses	(782 955)	-	(37 804 307)	-	-	(1 080 283)	(154 956)	(39 822 512)
Acquisitions	-	-	9 419 303	-	-	505 885	-	9 925 187
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	(71 726)	-	(1 833 101)	-	-	(423 742)	(51 652)	(2 380 222)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2013	2 487 518	-	68 994 368	-	-	1 686 538	1 102 762	74 271 187
Cost/Revaluation	3 342 200	-	108 631 776	-	-	3 190 573	1 308 371	116 473 920
Accumulated depreciation and impairment losses	(854 682)	-	(39 637 408)	-	-	(1 504 035)	(208 609)	(42 202 733)

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Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

11.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2011	2 589 245	-	61 408 167	-	-	1 604 395	1 154 414	66 726 221
Cost/Revaluation	3 342 200	-	99 212 474	-	-	2 684 688	1 309 371	106 548 732
Correction of error (note 48)	-	-	-	-	-	-	-	-
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	(782 955)	-	(37 804 307)	-	-	(1 080 293)	(154 956)	(39 822 512)
Acquisitions	-	-	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
as at 30 June 2012	2 589 245	-	61 408 167	-	-	1 604 395	1 154 414	66 726 221
Cost/Revaluation	3 342 200	-	99 212 474	-	-	2 684 688	1 309 371	106 548 732
Accumulated depreciation and impairment losses	(782 955)	-	(37 804 307)	-	-	(1 080 293)	(154 956)	(39 822 512)

Refer to Appendix B for more detail on property, plant and equipment

App B1/A1

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

10 INTANGIBLE ASSETS	Note	2013 R	2012 R
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12.1 Reconciliation of carrying value

	Computer Software R	Other R	Total R
as at 1 July 2012	378 802	-	378 802
Cost	730 250	-	730 250
Accumulated amortisation and impairment losses	(351 648)	-	(351 648)
Acquisitions			-
Amortisation	(145 883)		(145 883)
Carrying value of disposals	-	-	-
Cost			-
Accumulated amortisation			-
Impairment loss/Reversal of impairment loss			-
Transfers			-
Other movements			-
as at 30 June 2013	232 719	-	232 719
Cost	730 250	-	730 250
Accumulated amortisation and impairment losses	(497 531)		(497 531)

12.1 Reconciliation of carrying value

	Computer Software R	Other R	Total R
as at 1 July 2011	730 250	-	730 250
Cost	730 250	-	730 250
Accumulated amortisation and impairment losses			-
Acquisitions			-
Amortisation	(351 648)		(351 648)
Carrying value of disposals	-	-	-
Cost			-
Accumulated amortisation			-
Impairment loss/Reversal of impairment loss			-
Transfers			-
Other movements			-
as at 30 June 2012	378 802	-	378 802
Cost	730 250	-	730 250
Accumulated amortisation and impairment losses	(351 648)	-	(351 648)

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

	Note	2013 R	2012 R
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11 INVESTMENT PROPERTY CARRIED AT COST

13.1 Reconciliation of carrying value

	Investment property X R	Investment property Y R	Total R
as at 1 July 2012			
Cost	35 155 800	-	35 155 800
Correction of error (note 48)	35 155 800		35 155 800
Change in accounting policy (note 47)	-		-
Accumulated depreciation and impairment losses			-
Acquisitions			-
Depreciation			-
Carrying value of disposals	-	-	-
Cost			-
Accumulated depreciation			-
Impairment loss/Reversal of impairment loss			-
Transfers			-
Other movements			-
as at 30 June 2013			
Cost	35 155 800	-	35 155 800
Accumulated depreciation and impairment losses	35 155 800		35 155 800

13.1 Reconciliation of carrying value

	Investment property R	Revaluations R	Total R
as at 1 July 2011			
Cost	35 155 800	-	35 155 800
Correction of error (note 48)	35 155 800		35 155 800
Change in accounting policy (note 47)			-
Accumulated depreciation and impairment losses			-
Acquisitions			-
Depreciation			-
Carrying value of disposals	-	-	-
Cost			-
Accumulated depreciation			-
Impairment loss/Reversal of impairment loss			-
Transfers			-
Other movements			-
as at 30 June 2012			
Cost	35 155 800	-	35 155 800
Accumulated depreciation and impairment losses	35 155 800		35 155 800

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

	Note	2013 R	2012 R
14 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		7 942 580	4 486 906
Payments received in advance		89 005	180 684
Retentions		108 715	108 715
Auditor General		1 876 507	2 315 104
Other creditors		1 438 486	806 055
Total creditors		<u>11 458 304</u>	<u>7 898 464</u>

The fair value of trade and other payables approximates their carrying amounts.

15 VAT RECEIVABLE

VAT receivable	874 546	336 273
	<u>874 546</u>	<u>336 273</u>

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

	Note	2013 R	2012 R
16 PROVISIONS			
Performance bonus		357 400	223 580
Provision for leave		1 848 333	733 998
Landfill Site			
Total Provisions		2 003 733	957 578

Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.

The movement in current provisions are reconciled as follows: -

	Performance Bonus	Provision for leave
as at 1 July 2012	223 580	450 689
Contributions to provision	133 820	
Expenditure incurred		
as at 30 June 2013	357 400	450 689
as at 1 July 2011	223 580	733 998
Contributions to provision		(283 329)
Expenditure incurred		
as at 30 June 2012	223 580	450 689

17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

21.1 Unspent Conditional Grants from other spheres of Government

MIG Grant	1 543 480	470 979
Grap Conversion Grant	53 153	231 897
MSIG Grant	375 638	257 725
Special Development Framework Grant	74 558	350 000
Integrated National Electrification Municipal Grant	2 948 808	74 631
FMG Grant	(0)	119
EPWP	437 315	
DWA Capacity Grant	300 000	
Other	3 024 788	2 225 888

Total Unspent Conditional Grants and Receipts

8 757 717	3 611 240
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Non-current unspent conditional grants and receipts

Current portion of unspent conditional grants and receipts

8 757 717	3 611 240
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Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

	Note	2013 R	2012 R
18 FINANCE LEASE LIABILITY			
2013			
	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	222 176		
Within two to five years	364 386		364 386
	<u>586 561</u>	<u>-</u>	<u>364 386</u>
Less: Amount due for settlement within 12 months (current portion)			<u>222 176</u>
			<u>586 561</u>

borrowing rate is x%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between x% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

2012	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	200 589	77 696	789 756
Within two to five years	<u>385 970</u>		
	<u>586 559</u>	<u>77 696</u>	<u>789 756</u>
Less: Amount due for settlement within 12 months (current portion)			<u>(200 589)</u>
			<u>586 167</u>

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

	Note	2013 R	2012 R
19 NON-CURRENT PROVISIONS			
Provision for rehabilitation of landfill sites		1 022 400	1 022 400
Total Non-Current Provisions		<u>1 022 400</u>	<u>1 022 400</u>

20 PROPERTY RATES

<u>Actual</u>			
Residential		1 841 824	1 042 936
Commercial			
Light Industries			
Heavy Industries			
State			
Less Income Forgone		(549 980)	
Total property rates		<u>1 392 245</u>	<u>1 042 936</u>
Property rates - penalties imposed and collection charges		189 498	247 507
Total		<u>1 581 682</u>	<u>1 290 443</u>

Valuations

Residential	80 377 250	80 377 250
Commercial	882 174 900	882 174 900
State	85 718 900	85 718 900
Municipal	38 685 750	38 685 750
Total Property Valuations	<u>1 084 954 800</u>	<u>1 084 954 800</u>

Valuations on land and buildings are performed every four years.
The last valuation came into effect on 1 July 2012.

21 SERVICE CHARGES

Sale of electricity	8 416 328	2 782 180
Sale of water	1 478 977	1 005 668
Refuse removal	1 418 981	1 052 653
Sewerage and sanitation charges	1 751 580	1 231 300
Total Service Charges	<u>11 063 222</u>	<u>6 071 789</u>

Ikwazi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

	Note	2013 R	2012 R
22 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		10 511	231 518
Total rentals		<u>10 511</u>	<u>231 518</u>
23 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		116 524	139 939
Total interest		<u>116 524</u>	<u>139 939</u>
24 INTEREST EARNED - OUTSTANDING RECEIVABLES			
Interest: Electricity		28 219	23 589
Interest: Water		192 615	145 718
Interest: Sewerage		196 027	169 868
Interest: Refuse Removal		185 145	156 909
Interest: Sundry Debtors		8 975	7 488
Total interest		<u>608 880</u>	<u>503 562</u>
25 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		15 585 000	13 753 000
MIG Grant		8 489 195	9 459 034
MSIG		623 801	532 275
FMG		1 500 000	1 783 178
Other Government Grants and Subsidies		2 169 089	480 830
Total Government Grant and Subsidies		<u>28 377 084</u>	<u>25 968 417</u>
25.1 Equitable Share			
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.			
25.2 MIG Grant			
Balance unspent at beginning of year		-	-
Current year receipts		10 244 000	9 459 034
Conditions met - transferred to revenue		(8 489 195)	(9 459 034)
Conditions still to be met - remain liabilities (see note 21)	Notes 15-21/A124	<u>1 754 805</u>	-
Provide explanations of conditions still to be met and other			

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

	Note	2013 R	2012 R
25.3 Other Government Grants and Subsidies			
Balance unspent at beginning of year		231 897	
FMG		1 500 000	
MSIG		800 000	
Integrated National Electrification (Municipal) Grant		3 200 000	
DWA GRANT		300 000	
EPWP		1 000 000	
Current year receipts		1 990 345	692 827
Conditions met - transferred to revenue		(2 169 089)	(460 930)
Conditions still to be met - remain liabilities (see note 21)	Notes 15-61/A124	8 853 153	231 897

26 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

26.1 Other Income			
Other income		1 015 789	2 742 389
Total Other income		1 015 789	2 742 389
26.1 Public contributions and donations			
Donations		10 000	-
Total public contributions and donations		10 000	-

27 EMPLOYEE RELATED COSTS

	20 276 936	13 997 111
Employee related costs - Salaries and Wages	12 080 114	8 388 378
Employee related costs - Contributions for UIF, pensions and medical aids	1 828 799	1 485 491
Travel, motor car, accommodation, subsistence and other allowances	2 074 434	1 328 128
Housing benefits and allowances	14 987	22 408
Overtime payments	703 278	548 107
Performance and other bonuses	785 285	1 033 171
Long-service awards	3 440	-
Other employee related costs	-	163 837
Employee Related Costs	17 490 346	12 967 519

Remuneration of the Municipal Manager		
Annual Remuneration	682 500	304 799
Performance- and other bonuses	112 350	99 210
Travel, motor car, accommodation, subsistence and other allowances	120 000	60 200
Total	914 850	464 209

Remuneration of the Chief Finance Officer		
Annual Remuneration	251 000	339 500
Performance- and other bonuses	-	69 300
Travel, motor car, accommodation, subsistence and other allowances	35 000	84 000
Total	286 000	492 800

Remuneration of Individual Executive Directors	Technical Services R	Corporate Services R	Strategic Services R
2013			
Annual Remuneration	567 500	-	575 500
Performance- and other bonuses	97 370	-	97 370
Travel, motor car, accommodation, subsistence and other allowance	138 000	-	120 000
Total	792 870	-	792 870

	Technical Services R	Corporate Services R	Strategic Services R
2012			
Annual Remuneration	70 583	-	-
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowance	2 000	-	-
Total	72 583	-	-

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

	Note	2013 R	2012 R
28 REMUNERATION OF COUNCILLORS			
Executive Mayor		315 147	317 700
Councillors		779 730	1 082 245
Councillors' allowances		422 202	
Total Councillors' Remuneration		<u>1 517 080</u>	<u>1 399 945</u>
In-kind Benefits			
29 DEPRECIATION AND AMORTISATION EXPENSES			
Property, plant and equipment		2 276 918	724 800
Intangible assets		249 187	146 081
Investment property carried at cost			
Total Depreciation and Amortisation		<u>2 526 105</u>	<u>870 881</u>
30 FINANCE COSTS			
Borrowings		77 696	98 120
Bank overdrafts			
Total Finance Costs		<u>77 696</u>	<u>98 120</u>
31 BULK PURCHASES			
Electricity		5 120 497	4 982 174
Total Bulk Purchases		<u>5 120 497</u>	<u>4 982 174</u>

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

	Note	2013 R	2012 R
32 GENERAL EXPENSES			
Included in general expenses are the following:-			
Advertising		77 882	145 989
Admin fees		-	2 182
Audit Committee Fees			38 530
Audit fees - external	435 186		1 104 751
Audit fees - internal			943 053
Bank charges	152 484		139 398
Cleaning	-		48 582
Computer expenses			220 486
Conferences and delegations	6 000		27 500
Courier services			25 944
Chemicals	59 881		174 808
Departmental consumption - electricity	-		305 950
Entertainment	128 333		172 854
Financial management grant	206 452		
Fuel and oil	507 201		483 860
Insurance	125 509		144 284
Legal expenses	415 962		
Lease rentals on operating leases			282 136
Licence fees - vehicles	-		431 158
Magazines, books and periodicals			23 579
Marketing			126 793
Motor vehicle and plant expenses			243 259
Pauper burials			13 120
Postage	37 215		53 420
Printing and stationery	271 611		174 813
Project maintenance costs			339 748
Professional fees	2 152 077		
Rental of buildings	270 078		
Service Provider Fees			2 802 629
Subscription & publication	173 674		173 037
Telephone cost	646 649		383 513
Training	316 518		281 044
Uniforms & overalls	105 121		47 394
Valuation costs	-		50 375
Water and Sanitation	2 073 508		
Other	1 118 919		340 079
Contribution to Leave provision	1 108 556		
		10 388 875	9 513 988

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

Note

2013
R

2012
R

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

Note	2013 R	2012 R
33 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	1 508 477	3 378 617
Adjustment for:-		
Depreciation and amortisation	2 528 105	870 891
(Gain) / loss on sale of assets	-	-
Contribution to provisions - non-current	183 820	-
Contribution to provisions - current		
Finance costs	77 696	98 120
Fair value adjustments	-	-
Impairment loss / (reversal of impairment loss)	-	-
Other non-cash item		
Operating surplus before working capital changes:	<u>4 248 088</u>	<u>4 347 728</u>
(Increase)/decrease in inventories	(2 346)	
(Increase)/decrease in trade receivables	(5 546 804)	2 924 698
(Increase)/decrease in other receivables	(2 622 207)	(1 315 441)
(Increase)/decrease in VAT receivable	(338 273)	(338 273)
Increase/(decrease) in conditional grants and receipts	5 146 478	3 611 240
Increase/(decrease) in trade payables	3 457 840	7 998 464
Increase/(decrease) in consumer deposits		
Increase/(decrease) in VAT payable		
Other asset		
Other liability		
Cash generated by/(utilised in) operations	<u><u>4 140 683</u></u>	<u><u>17 230 415</u></u>

34 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank overdrafts	1 053 182	1 251 027
Net cash and cash equivalents (net of bank overdrafts)	<u><u>1 053 182</u></u>	<u><u>1 251 027</u></u>

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

	Note	2013 R	2012 R
35 CORRECTION OF ERROR			
During the year ended 30 June 2012 and previous years, PPE and other assets were incorrectly recognised: -			
The comparative amount has been restated as follows:			
	30 June 2012	Restated amount	
VAT Correction	334 385	336 273	1 878
PPE written back and restated	64 400 762	66 726 221	2 325 439
Investment Properties	26 222 000	35 155 800	8 933 800
Finance Lease Obligation Short Term Portion	202 830	200 589	2 341
Trade and Other Payables from Exchange Transactions	10 478 768	7 998 484	2 478 304
Unspent Conditional Grants and Receipts	3 558 118	3 611 239	(53 121)
Finance Lease Obligation Long Term Portion	588 167	385 972	203 185
Provisions	8 385 000	1 022 400	7 362 600
			<u>21 252 436</u>
Net effect on Statement of Financial Position			<u>21 252 436</u>
Net effect on Accumulated surplus opening balance			<u>21 252 436</u>
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL			
36 EXPENDITURE DISALLOWED			
36.1 Unauthorised expenditure			
Reconciliation of unauthorised expenditure			
Opening balance		8 305 999	5 635 750
Over expenditure - Community and Social Services			56 559
Over expenditure - Public Safety			85 539
Over expenditure - Budget and Treasury			1 398 391
Over expenditure - Electricity			1 119 780
An order was placed with a service provider for catering, and the official involved doubled the order without authorisation. (The official has since then left the council)		5 608	
Over expenditure - Councillor Allowances		48 103	
Over expenditure - Bad Debt Provision		710 581	
Over expenditure - Depreciation		1 372 454	
Unauthorised expenditure awaiting authorisation		<u>10 442 743</u>	<u>8 305 999</u>
The over expenditure relates to the implementation of GRAP 17 Council could not foresee what amount to budget for depreciation and bad debt provision was performed in a more realistic and credible manner.			
36.2 Fruitless and wasteful expenditure			
Reconciliation of fruitless and wasteful expenditure			
Opening balance -		149 761	-
Interest outstanding external audit fees			69 120
			80 641
Fruitless and wasteful expenditure awaiting condonement		<u>149 761</u>	<u>149 761</u>
36.3 Irregular expenditure			
Refer to 2011/2012 Financial Statements			
Reconciliation of irregular expenditure			
Opening balance		9 513 003	1 743 246
			3 037 065
			409 726
			1 422 561
			1 489 752
			522 525
			888 128
Non-compliance with the Supply Chain Management Regulations were identified.		55 500	
		10 075	
Irregular expenditure awaiting condonement		<u>9 578 578</u>	<u>9 513 003</u>

In terms of section 36 of the Municipal Supply Chain regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

Note	2013 R	2012 R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL 37 FINANCE MANAGEMENT ACT		
37.1 Contributions to organised local government		
Opening balance		
Council subscriptions	108 000	124 500
Amount paid - current	(108 000)	(124 500)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

371 Audit fees		
Opening balance	2 315 104	2 315 104
Current year audit fee		
Amount paid - current year	(500 000)	
Amount paid - previous years		
Balance unpaid (included in payables)	1 815 104	2 315 104

37.3 VAT

VAT input receivables and VAT output payables are shown in note 16. All VAT returns have been submitted.

37.4 PAYE and UIF

Opening balance		
Current year payroll deductions	2 183 948	1 341 544
Amount paid - current year	(2 183 948)	(1 341 544)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

37.5 Pension and Medical Aid Deductions

Opening balance		
Current year payroll deductions and Council Contributions	1 814 272	1 174 714
Amount paid - current year	(1 814 272)	(1 174 714)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

37.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at -

as at 30 June 2013

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
Councillor W Seekoei	481	481
Councillor M Bonaparte	809	882
Total Councillor Arrear Consumer Accounts	1 390	227

as at 30 June 2012

Councillor J Lewis	13 196	490	12 706
Councillor A Mboneni	122	122	-
Councillor K Hendricks	15 539	490	15 049
Councillor M Bonaparte	388	220	148
Councillor W Seekoei	150	150	-
Total Councillor Arrear Consumer Accounts	29 375	1 472	27 903

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

	Note	2013 R	2012 R
38 CAPITAL COMMITMENTS			
38.1 Commitments in respect of capital expenditure			
- Approved and contracted for		2 847 634	6 538 685
Infrastructure		2 847 634	6 538 685
Other			
Total		2 847 634	6 538 685
This expenditure will be financed from:			
- Government Grants		2 847 634	6 259 518
- Own resources			277 167
		2 847 634	6 536 685

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

	Note	2013 R	2012 R
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39 CONTINGENT LIABILITY

39.1 Phil-Ann Roberts vs Ikwezi Municipality / Xola Jack

This is a sexual harassment case the plaintiff, a former female employee, Mr. Xola Jack pleaded guilty to the charge of sexual harassment and entered into an agreement with council, getting minimal sanction. The inappropriate sanction agreed on created liability for council and a sizeable claim is a possibility. this could estimate at around R 450,000.00 including legal fees.

40 RELATED PARTIES

40.1 Party Related Transactions

The following are persons having authority and responsibility for planning, directing and controlling the activities of the Municipality - directly or indirectly.

Executive Mayor
Councilors
Municipal Manager
Chief Financial Officer
Acting Director Corporate Services
Director Strategic Services
Director Technical and Community Services

41 RISK MANAGEMENT

Financial risk management

The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes. Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statement

Ikwezi Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2013

Note	2013 R	2012 R
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Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 38.7 below). No formal policy exists to hedge volatilities in the interest rate market.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term debtors, consumer debtors, other debtors, and bank and cash balances.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

The municipality's sensitivity to interest rates has decreased during the current period mainly due to the reduction in the balance of the variable rate debt instrument.

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The municipality has access to financing facilities.

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The municipality expects to maintain current debt to equity ratio. This will be achieved through increasing tariffs and the increased use of unsecured bank loan facilities.

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Ikwezi Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2013

	Cost / Revaluation				Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Depreciation Written Back	Impairment loss/Reversal of impairment loss	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Land												
Land	2 319 800	-	-	-	2 319 800	(782 955)	(71 726)	-	-	-	(854 682)	1 465 118
Landfill Sites	1 022 400	-	-	-	1 022 400	-	-	-	-	-	-	1 022 400
Quarries	-	-	-	-	-	-	-	-	-	-	-	-
	3 342 200	-	-	-	3 342 200	(782 955)	(71 726)	-	-	-	(854 682)	2 487 518
Buildings												
Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure												
Infrastructure	99 212 474	3 637 233	-	-	102 849 707	(37 804 307)	(1 833 101)	-	-	-	(39 637 408)	63 212 298
Under construction	(0)	5 782 070	-	-	5 782 070	-	-	-	-	-	-	5 782 070
	99 212 474	9 419 303	-	-	108 631 778	(37 804 307)	(1 833 101)	-	-	-	(39 637 408)	88 594 368
Community Assets												
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Assets												
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-
	102 554 674	9 419 303	-	-	111 973 978	(38 587 282)	(1 904 827)	-	-	-	(40 482 090)	71 481 887
Total carried forward												

Ikwezi Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2013

	Cost / Revaluation				Accumulated Depreciation						Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Depreciation Written Back	Impairment loss/Reversal of impairment loss	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	102 554 674	9 419 303	-	-	111 973 976	(38 587 262)	(1 904 827)	-	-	-	(40 482 080)	71 481 887
Other Assets												
Other Assets	2 684 688	505 885			3 190 573	(1 080 293)	(423 742)				(1 504 035)	1 686 538
	2 684 688	505 885	-	-	3 190 573	(1 080 293)	(423 742)	-	-	-	(1 504 035)	1 686 538
Finance Lease Assets												
Office Equipment	1 309 371				1 309 371	(154 956)	(51 652)				(206 608)	1 102 762
Other Assets	1 309 371	-	-	-	1 309 371	(154 956)	(51 652)	-	-	-	(206 608)	1 102 762
Total	106 548 732	9 925 187	-	-	116 473 920	(39 822 512)	(2 380 222)	-	-	-	(42 202 733)	74 271 187

Ikwezi Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

as at 30 June 2012														
	Cost / Revaluation				Accumulated Depreciation									
	Opening Balance R	Additions R	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Depreciation Written Back R	Impairment loss/Reversal of Impairment loss R	Closing Balance R	Transfers R	Other movements R	
														Carrying Value R
Land														
Land	2 319 800				2 319 800	(782 955)					(782 955)			1 538 845
Landfill Sites	1 022 400				1 022 400	-					-			1 022 400
Quarries					-	-					-			-
	3 342 200	-	-	-	3 342 200	(782 955)	-	-	-	-	(782 955)	-	-	2 559 245
Buildings					-						-			-
Infrastructure														
Infrastructure	99 212 474				99 212 474	(37 804 307)					(37 804 307)			61 408 167
Under construction	(0)				(0)	-					-			(0)
	99 212 474	-	-	-	99 212 474	(37 804 307)	-	-	-	-	(37 804 307)	-	-	61 408 167
Community Assets														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Assets														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	102 564 674	-	-	-	102 564 674	(38 587 282)	-	-	-	-	(38 587 282)	-	-	63 967 411
Total carried forward														

Ikwezi Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

30 01 00 June 2012														
	Cost / Revaluation					Accumulated Depreciation							Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Depreciation of Impairment	Closing Balance	Transfers			
	R	R	R	R	R	R	R	R	R	R	R	R	R	
Total brought forward	102 554 674	-	-	-	102 554 674	(38 587 262)	-	-	-	(38 587 262)	-	-	63 987 411	
Other Assets	2 684 688	-	-	-	2 684 688	(1 080 293)	-	-	-	(1 080 293)	-	-	1 604 395	
Finance Lease Assets	2 684 688	-	-	-	2 684 688	(1 080 293)	-	-	-	(1 080 293)	-	-	1 604 395	
Office Equipment	1 309 371	-	-	-	1 309 371	(154 956)	-	-	-	(154 956)	-	-	1 154 414	
Other Assets	1 309 371	-	-	-	1 309 371	(154 956)	-	-	-	(154 956)	-	-	1 154 414	
Total	106 548 732	-	-	-	106 548 732	(39 822 512)	-	-	-	(39 822 512)	-	-	66 726 221	

Ikwezi Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2013

2012				2013		
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
22 287 831	8 288 748	16 001 086	Executive & Council	31 650 940	7 388 430	24 262 510
	8 748 516	(8 748 516)	Budget & Treasury		5 887 905	(5 887 905)
	1 894 939	(1 894 939)	Corporate Services		3 530 375	(3 530 375)
	1 997 549	(1 997 549)	Planning & Development		2 841 284	(2 841 284)
	732 511	(732 511)	Community & Social Services		742 894	(742 894)
	301 639	(301 639)	Public Safety		665 782	(665 782)
	12 550	(12 550)	Sport & Recreation		120 650	(120 650)
1 209 561	1 668 332	(458 770)	Waste Management	1 603 505	1 713 003	(109 498)
983 968	1 225 535	(241 567)	Road Transport	18 884	1 176 125	(1 159 241)
3 142 841	2 843 018	299 823	Water & Water Management	1 947 587	3 622 390	(1 674 803)
3 797 655	1 140 238	2 657 417	Water	1 669 591	5 308 111	(3 638 520)
5 546 180	6 759 719	(1 213 539)	Electricity	6 444 545	8 828 645	(2 384 101)
			Other			
36 948 037	33 589 192	3 358 846	Less: Inter-Department Charges	43 333 052	41 824 575	1 508 477
36 948 037	33 589 192	3 358 846	Total	43 333 052	41 824 575	1 508 477